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ABSTRACT

This study unit, one in a series of eight, gives students examples of: (1) how a major business began in the mid-nineteenth century; (2) why and how individuals joined in financing and sharing in the growth of such a firm; and (3) how trademarks and brand names were adopted as a symbol that a firm stood behind and took pride in its goods and services. The unit contains an overview, objectives, learning activities, student handouts, vocabulary, and ways to use economic concepts to understand historical development. Original source documents, photographs, and materials from the Procter and Gamble Archive are used. (SM)

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FROM COTTAGES TO CORPORATIONS:

A CASE STUDY IN AMERICAN HISTORY.

PERSPECTIVES.

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FROM COTTAGES TO CORPORATIONS

A case study in American History

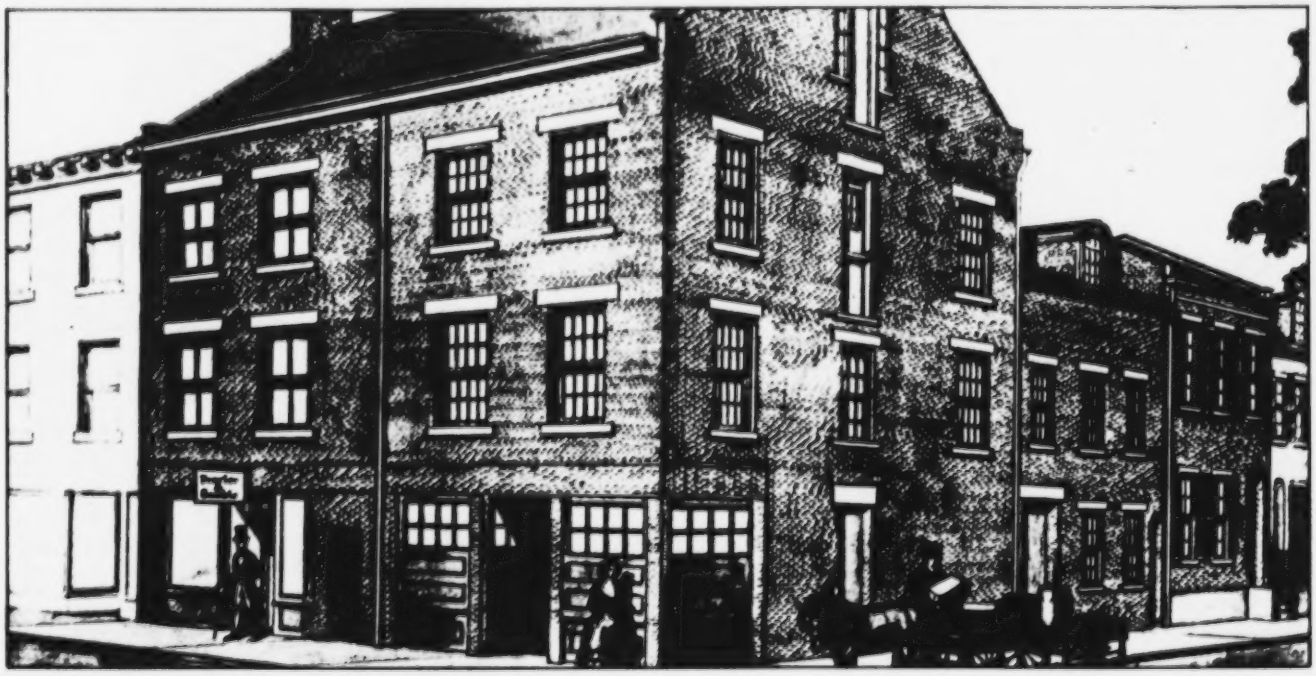
In the mid-nineteenth century, at the peak of America's industrial growth, an often overlooked drama took place. It is the story of fundamental changes in the manner in which business and private citizens organized their efforts to serve more people with an increasing variety of goods and services.

Here is material that gives students examples of 1) how one of today's major businesses got its start in those changing times; 2) why and how individuals joined in financing and sharing in the growth of such firms; and 3) how trademarks and brand names were adopted as a symbol that a firm stood behind and took pride in its goods and services.

These historical facts, plus student exercises, can be used in one or two class periods to supplement U.S. History classes when studying pre-industrial America and the rise of the industrial age, or Business or Economics classes when studying why different forms of ownership developed, why industrialization spread and the effects of industrialization on corporate history. The unit consists of this teacher folder with accompanying student materials which can be duplicated and distributed. The unit can be used for grades 7-12, all ability levels.

This unit, one in a series (see back cover), relies heavily on material from the Procter & Gamble Archives and other primary source documents.

A purpose of discussing the beginnings of one corporation in this unit is to encourage students to look at the growth of companies in their areas or regions as one measure of history in our still-evolving country.



All illustrations in this folder set the scene for discussing the evolving role of corporations in the country's growth.

Cover Drawing: The shop where James Gamble joined William Proc... 37.

Overview

(This Overview summarizes the growth of business and industry in the U.S. in the mid-nineteenth century. It sets the scene for the activities in the Suggested Teaching Procedures which trace the beginnings of one of today's large companies.

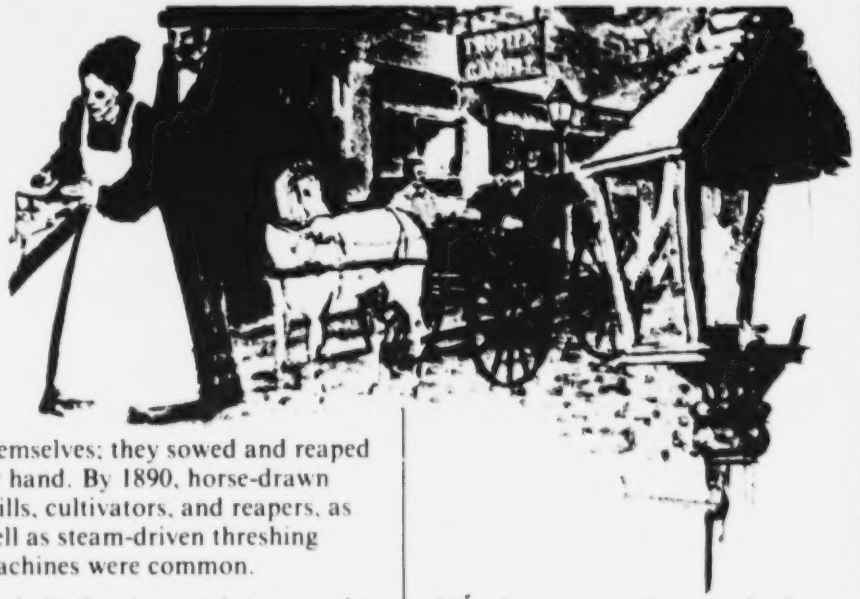
Read the Overview and review all inserts before attempting activities. You will find these few minutes well spent.)

"In 1830, Americans had scarcely pushed their frontier across the Mississippi River. Sixty years later, settlement was so widespread that the Bureau of the Census could declare that a frontier no longer existed. During those six decades, Americans had populated a continent. They had also created an industrial nation.

About twelve million people lived in the United States in 1830. New York, the largest city, held 200,000; Chicago, a muddy little village on the shores of Lake Michigan, had hardly begun. In 1890, the nation's population reached sixty-three million. New York had grown to three million people and Chicago contained slightly more than one million. The natural increase in population had been greatly augmented by the influx of millions of immigrants from Europe and Asia.

Long-distance travel within the nation in 1830 was for the most part limited to horses or horse-drawn vehicles and to sail-driven boats on rivers, lakes and a few hundred miles of canals. There were only about thirty miles of railroad in the entire country. By 1890, the nation had been crisscrossed by 167,000 miles of track, and steamboats plied not only the Great Lakes but the Ohio and Mississippi Rivers as well...

In 1830, farmers plowed their fields behind horses or oxen, and sometimes got into harness



themselves; they sowed and reaped by hand. By 1890, horse-drawn drills, cultivators, and reapers, as well as steam-driven threshing machines were common.

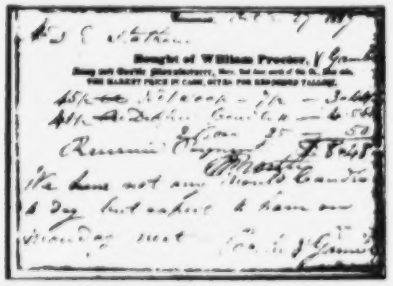
Early in the nineteenth century the rate at which a man could travel determined the speed of communication, and people had only candles and oil lamps to drive away the darkness. By 1890, the telegraph had long since ceased to be a novelty and many city dwellers had telephones. During the 1890's electric lighting rapidly replaced gas and oil illumination in the cities.[1]"

* * *

As suggested above, there were many factors that spurred the growth of business and industry in the United States: receding frontiers, a burgeoning population and a rapid succession of engineering and technological breakthroughs.

Like the country, the growth of commerce did not come overnight; but rather it kept pace with the growing nation and the changing needs and wants of consumers.

Many of today's major businesses started small, as exemplified by this case history of a company that had its beginnings as a partnership in 1837 and a corporation in 1890. At the start in 1837, one partner boiled soap in a backyard kettle and the other peddled the daily production from house to house.

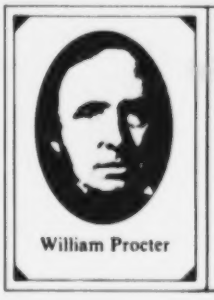


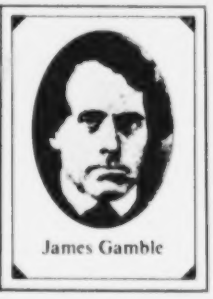
On early billheads, William Procter simply added "& Gamble" after his name with a quill pen.

In whatever manner the growth of a new business or industry began, and no matter how few or how many individuals were involved, the marks of growth and sophistication were similar ...partnership agreements, articles of incorporation, trademarks. This passage from cottages to corporations was inevitable as

[1]James E. Bruner, Jr., Industrialism: The American Experience. (New York: Benziger, 1972.)

more and more consumers stretched out across a vast nation. What for many was an age of "getting-along" became an explosion of latent wants and needs, fueled by new transportation, new technological breakthroughs, many new citizens and new ways of conducting business on an area, regional and national scale.


William Procter


James Gamble

Objectives

1. Students will be able to state the relationship between the needs and wants of people in an expanding nation and the development of more complex forms of business and industry.

2. Students will be able to recognize and identify the significance of trademarks and brand names to a business enterprise and their importance to consumers.

3. Students will be able to define the meanings of the following terms listed on the VOCABULARY Sheet (see insert): monopoly, wholesaler, sole proprietorship, partnership, profits, corporation, stocks (or shares), trademark, brand name.

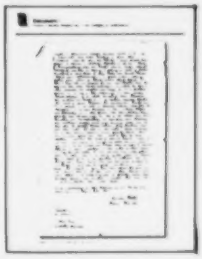
Suggested teaching procedure

Use the OVERVIEW to identify for your students the historical period involved. Students should discover the economic causes of fast-paced changes in American life which led us directly into the industrial period and to our modern way of life.

Activity I

The Beginning: Setting the Stage for Growth (Early 1800's)

Use Reading I and Document I



1. Distribute copies, present or read aloud READING I. As students read or listen to READING I, alert them to be aware of the definitions of the following terms: monopoly, wholesaler, sole proprietorship, partnership.

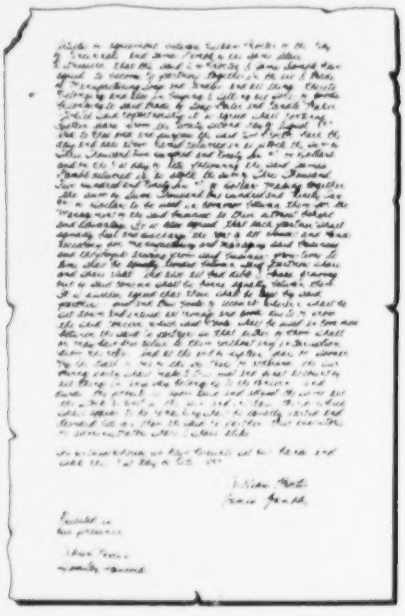
2. Distribute copies or show DOCUMENT I (a partnership agreement).

3. After students have read reviewed READING I and DOCUMENT I, lead them in discussing the following:
a. In your own words, summarize the main points in this document.
b. As indicated by READING I and DOCUMENT I, what advantages and disadvantages accrued to Mr. Procter and Mr. Gamble when each changed his business from a sole proprietorship to a partnership? (Consider such things as risk, security and reputation as well as finances and manpower.)
c. How might a river location affect the future costs of production of a company starting up in the 1830's?
d. How would the size of the city a company was located in affect its growth and development in the middle nineteenth century?
e. Why would the fact that Cincinnati was a major hog producing center make it an attractive location for a company producing soap and candles?

An early Procter & Gamble factory. It burned down in 1884.

f. How would profits of P&G be affected by their locational decisions?

g. Review the meanings of: monopoly, wholesaler, sole proprietorship, partnership, profits.


A partnership agreement was signed in 1837 by William Procter and James Gamble.

4. As a separate project, have students identify businesses in their community area that are "sole proprietorships" and others that are "partnerships".

5. On a map of the Eastern part of the United States, locate Cincinnati, Ohio. Trace water routes that products produced in Cincinnati would take to reach major markets and ports. Identify them. What towns and cities would they serve? Point out other cities that are major water ports. In this context, would your city be a source or a market?

Cincinnati, Ohio waterfront in 1848

From the Collection of The Public Library of Cincinnati and Hamilton County

Activity II

Cottages to Corporations (Late 1800's)

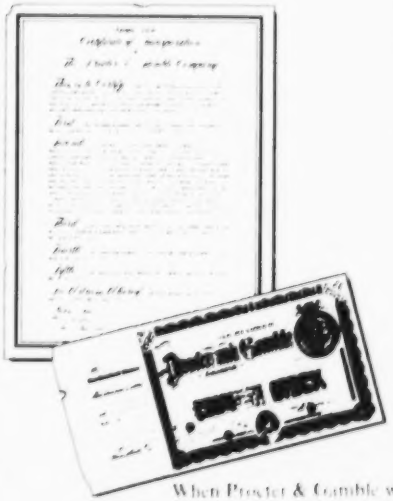
Use Reading II and Documents II and III

1. Distribute copies, present or read aloud READING II. As students read or listen to READING II, alert them to be aware of the definitions of the following terms: corporation, shares, stock.

2. Distribute copies or show DOCUMENT II and DOCUMENT III.

3. After students have read reviewed READING II and DOCUMENTS II and III, lead them in discussing:

a. In your own words, summarize the main points in this document.
b. What is a corporation?
c. What is a share? a stock?
d. Why was there a rush to incorporate at the end of the nineteenth century? What conditions in the country created incentives for producers to want to change from sole proprietorships and partnerships into corporations?



When Procter & Gamble was incorporated in 1890, shares of stock were offered to the public.

e. What costs facing P&G as a business were reduced by incorporating (i.e. what were the advantages)?
f. What did the growth of corporations mean to the growing country?
g. What costs facing potential owners of stock in a corporation were apparently lower than the costs of other types of investments?
h. What costs to individuals and to society were reduced by the development of other inventions cited in READING II.

4. Compare DOCUMENT II with DOCUMENT I to identify differences, if any, between the legal paperwork of partnerships and corporations, as evidenced by the experiences of P&G.

5. As a separate project, have students do a study of firms in the area or other major corporations to trace the steps of their incorporation. What factors (local and national) contributed? How did their growth parallel the growth of your community, region or the country as a whole? Why did these companies have to grow?

Activity III
Trademarks and Brand Names

Use Reading III

1. Divide the class into groups of 5-6 students each. Distribute copies, present, or read aloud READING III. Alert students to be aware of the definition of the words "trademark" and "brand names". (Note: You may wish to conceal the answers to the trademark identification question (READING III) and have students discuss this in small groups, presenting their answers to the entire class.)

2. Review with students the meaning of "trademark" and "brand names" and discuss with them:
a. How could they increase benefits to a company?
b. How could they decrease the costs facing consumers of transacting exchanges? In what other ways could they benefit consumers?

3. As separate projects:
a. Assign one product trademark (from the five shown in READING III) to each group and ask them to write a hypothetical trademark history for "their" trademark. Instruct students to take into consideration the company's product, the style of the trademark (as a clue to its age) and the image itself as clues to its origin. Share each history with the class, either in an oral presentation or as a bulletin board display. Have each group write the company they have been discussing to learn the real history of its trademark. Share the responses with the class.
b. Still working in groups, have students design a trademark for a fictitious product. Analyze this trademark by explaining how effectively it represents the product. You could also do this as a game, having each group analyze the trademark of other groups.
c. Assign some students to do a study of the development of the trademarks of local firms or national firms with operations in your local area; have other students investigate the origins of the names of some of their favorite brands.
d. Assign students to collect magazine advertisements, monitor television programs or do a check of their local grocery store/supermarket and report back on 10 companies which advertise by company name/trademark and 10 which advertise by brand name.

Current popular trademarks and brand names

Evolution of Procter & Gamble's Trademark

This crude cross, painted by a wharf hand on a wooden box of Star candles around 1851, was the beginning of the "Moon and Stars."

In time, the cross developed into this encircled star — still merely part of the rivermen's shipping "sign language."

The first standard trademark adopted by the company was this roughly drawn crescent enclosing 13 stars.

The 1882 model "Moon and Stars" had been refined to this point, and registered in the U.S. Patent Office.

By 1902, the trademark, still basically the same, displayed some of the "gingerbread" frills typical of the turn-of-the-century.

Around 1920 the trademark became more simplistic still, however, there was no fundamental change from the original design.

Finally, in 1930, a sculptor was commissioned by P&G to design today's authorized version of the famous "Moon and Stars."

Expanded Activities

1. A review of basic economic concepts in the context of various historical periods can provide one or more clues to the how and why as well as the what, when and where of historical events.

Use Teacher Sheet I

The Cottages to Corporations unit contains examples of economic concepts as "played out" through the experience of one company. For discussion with students, see TEACHER SHEET I.

Project Advisors

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Suggested discussions and revisions for using Perspectives to discuss economic concepts in an historical context were developed by: Dr. Robert J. Highsmith, Director of Research, Joint Council on Economic Education, New York, and Dr. George Vredeveld, Director, Greater Cincinnati Center for Economic Education.

Perspectives units include:

Perspectives Series I:
Cottages to Corporations; World War I; The Great Depression; Reflections of History.

Perspectives Series II:
The Civil War; Coping with Growth (Industry in the Late 1800's); World War II; International Operations.

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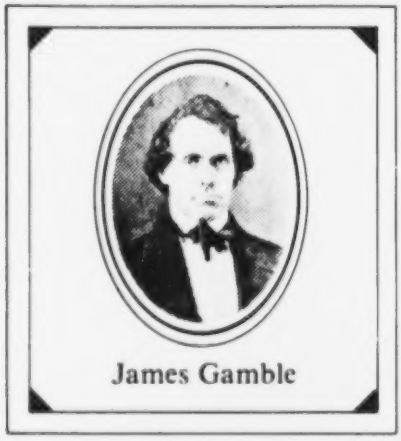
Setting the Stage for Growth

Early (1800's)

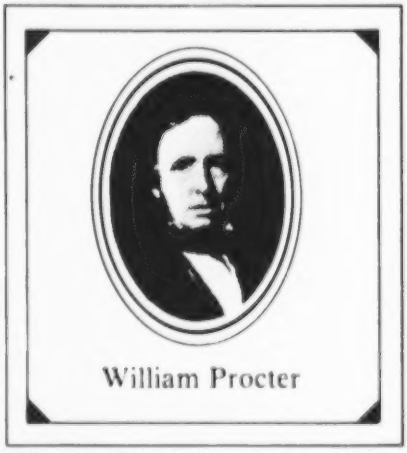
The early 1800's were a remarkable period in American history. Today we assume that anyone who wants to open a



James Gamble

business or sell home-made candles door-to-door has a perfect right to do so. But before 1824 this was not always clear. Many business laws conflicted with other laws, and these differences often had to be settled in court. By 1820 Aaron Ogden had been operating a steamboat ferry in New York with the state's permission to have a *monopoly* (the exclusive right) to run a ferry on that part of the river. However, New Jersey later gave that same right to Thomas Gibbons. Ogden felt that because he was there first, Gibbons should be forced to leave. In 1824, the United States Supreme Court said that Gibbons had the right to operate, too (Gibbons vs. Ogden). The American economic system, the Court said, did not allow monopolies but encouraged free competition, and the federal government had the final right over state governments to make and enforce decisions of this nature.

This was only a few years before James Gamble, a stern- faced Irish immigrant to Cincinnati, left his apprenticeship and started his own soapmaking business with Hiram Knowlton. In 1832, William Procter stopped in Cincinnati because his wife had fallen ill on their voyage from England to



William Procter

Louisville, Kentucky. When Mrs. Procter died, her husband decided to stay in Cincinnati where he started his own candlemaking business. In this way, chance brought James Gamble and William Procter to the same town. Chance operated again when William married Mrs. Gamble's sister and Procter & Gamble became brothers-in-law.

William Procter rented his first store in a rough section of town and was more than usually concerned about protection

Cincinnati in 1837 was a bustling river port grown to a population of 25,000 and known to a meat-hungry nation as "Porkopolis" This daguerrotype shows the Cincinnati riverfront lined with steamboats in 1848.

since burglars had destroyed his business in England. Unable to afford a dog, he stretched a

strong chain in front of a huge doghouse and scattered bones around the yard. With the chain and doghouse so big, he reasoned, burglars would simply imagine the dog. Soon Procter branched out as a *wholesaler* (a person who sells large quantities of a product to another who resells the product in small quantities to individual customers) of soap, selling to grocers and developing a following in river towns where he sold his own candles. Much of the soap came from Knowlton & Gamble with William Procter maintaining the sole *proprietorship* (having the exclusive right or legal title) of his business.

In January, 1837, a Supreme Court decision supported the rights of competition over monopolies. In March of that same year Gamble split with Knowlton and, at the urging of their father-in law, Alexander Norris, in 1837 William Procter and James Gamble decided to form a *partnership* (a business association in which two or more people contribute money or property and share the risks and *profits*. Profits are funds available from sales after a business has paid all of the basic costs of producing and distributing its goods or services). Their close business and personal association, combined with the fact that both soaps and candles required animal fats and oils for production, made this a reasonable decision. However, neither Procter nor Gamble had anticipated that the worst financial depression the country had ever seen would be upon them. Although they began working together informally in the first months of 1837, it was October before both partners were able to raise enough money to start their joint business. Both men borrowed from family and friends, and James Gamble sold his two horses and wagons and a carriage. But in October, William Procter and James Gamble combined their $7192.94 and began the partnership of Procter & Gamble Manufactory.

Oct 27 1837

Mr D. E Stathara Cincinnati,

Bought of William Procter, & Gamble

Soap and Candle Manufacturer, Main, 2nd door north of 6th St., East side,

THE MARKET PRICE IN CASH GIVEN FOR RENDERED TALLOW.

45½ ~~lb~~ No 1 Soap — 7½ — 3=4½

41½ ~~lb~~ Dipped Candles 11 — 4-5½

2 Boxes 25 — 50

Recieved Payment $8-48

Procter

We have not any More Candles to day but expect to have on Monday next — Procter & Gamble

On early billheads, William Procter simply added "& Gamble" after his name with a quill pen.

Articles of agreement between William Procter of the City of Cincinnati, and James Gamble of the same place -
Witnesseth, that the said Wm. Procter & James Gamble have agreed, to become Co partners together in the art & trade of Manufacturing Soap and Candles, and all things thereto belonging, and also in buying & selling all sorts of goods belonging to said trade by Soap Boiler and Candle Maker, - Which said copartnership it is agreed shall continue Fifteen Years, from the twenty second day of August 1837 And to that end and purpose the said Wm. Procter said the day and date above named delivered in as stock the sum of Three Thousand Five Hundred and Ninety Six 47/100 Dollars and on the 31st day of Octr. following the said James Gamble delivered in as stock the sum of Three Thousand Five Hundred and Ninety Six 47/100 Dollars making together the sum of Seven Thousand One Hundred and Ninety Two 94/100 Dollars to be used in common between them for the Management of the said business, to their utmost benefit and advantage It is also agreed that each partner shall equally bear and discharge the rent of all Houses and Lands necessary for manufacturing and managing said business and the profits arising from said business from time to time shall be equally devided between said partners share and share alike. And also all bad debts & losses growing out of said concern shall be borne equally between them. It is further agreed that there shall be kept by said partners - just and true books of accounts wherein shall be set down and entered all moneys and goods due to or from the said concern, which said Books shall be used in common between the said Co partners so that either of them shall or may have free access to them without any interruption from the other And at the end of fifteen years or sooner by the death of one of the partners or otherwise, the surviving party shall make a true just and fenal account of all things in any way belonging to the concern - and divide the profits as afore said and adjust the same, all the stock as well as the gain and increase thereof which shall appear to be remaining shall be equally parted and devided between them the said Co partners their executors or administrators share & share alike.

In witness whereof we have hereunto set our hands and seals this 31st day of Octr. 1837.

William Procter
James Gamble

Executed in
our presence

Abner Norris
Hamilton Hancock

Handwritten copy of the original partnership agreement.

Teacher's Note: See other side.

THE COMPLETE PARTNERSHIP AGREEMENT
(Transcribed from the original text)

Articles of agreement between William Procter of the City of Cincinnati, and James Gamble of the same place -Witnesseth, that the said Wm. Procter & James Gamble have agreed, to become Co partners together in the art & trade of Manufacturing Soap and Candles, and all things thereto belonging, and also in buying & selling all sorts of goods belonging to said trade of Soap Boiler and Candle Maker, - Which said copartnership it is agreed shall continue Fifteen Years, from the twenty second day of August 1837. And to that end and purpose the said Wm. Procter hath the day and date above named delivered in as stock the sum of Three Thousand Five Hundred & Ninety Six 47/100 Dollars and on the 31st day of Octr. following the said James Gamble delivered in as stock the sum of Three Thousand Five Hundred and Ninety Six 47/100 Dollars making together the sum of Seven Thousand One Hundred and ninety two 94/100 Dollars to be used in common between them for the Management of the said business to their utmost benefit and advantage. It is also agreed that each partner shall equally bear and discharge rent of all Houses and Lands necessary for manufacturing and managing said business, and the profits arising from said business from time to time shall be equally devided between said partners share and share alike. And also all bad debts & Losses growing out of said concern shall be borne equally between them. It is further agreed that their shall be kept by said partners - just and true books of accounts wherein shall be set down and entered all moneys and goods due to or from the said concern. which said Books shall be used in common between the said Co partners so that either of them shall or may have free access to them without any interruption from the other. And at the end of fifteen years or sooner by the death of one of the partners or otherwise, the surviving party shall make a true just and final account of all things in any way belonging to the concern - and devide the profits as afore said and adjust the same, all the stock as well as the gain and increase thereof which shall appear to be remaining shall be equally parted and devided between them the said co partners their executors or administrators share & share alike.

In witness whereof we have hereunto set our hands and seals this 31st day of Octr. 1837.

(Signed) William Procter (Seal)

(Signed) James Gamble (Seal)

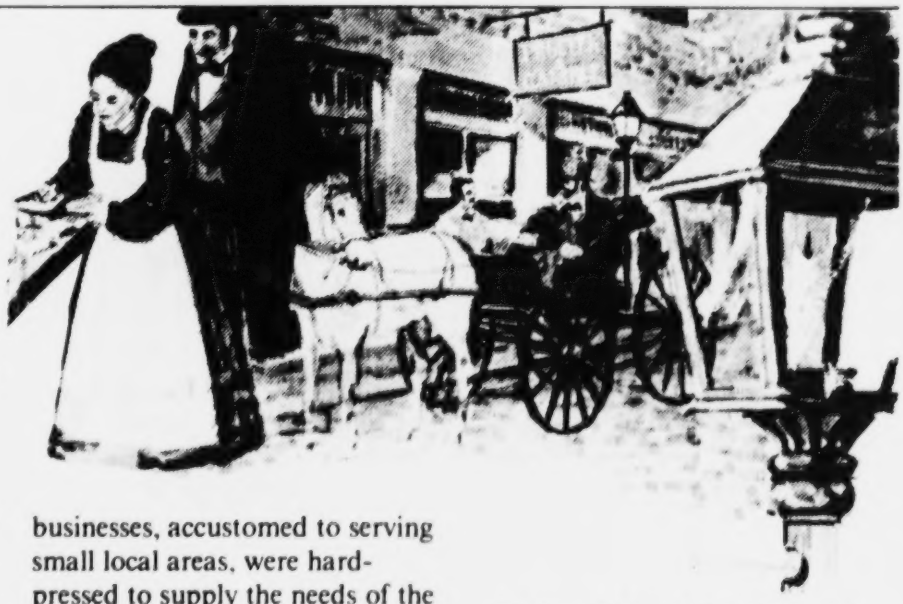
Executed in
our presence

(Signed) Alexr. Norris

(Signed) Hamilton Hancock

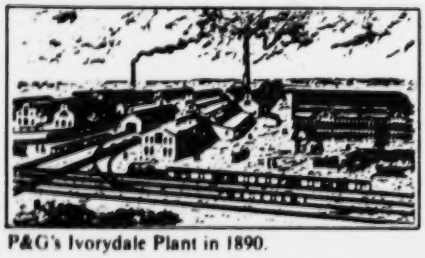
Cottages to Corporations

Late (1800's)



The last part of the nineteenth century was a period of astounding growth in America. Immigrants were arriving in the country by the hour, looking for new homes and new ways of living. The mood of the times was one of excitement—people believed anything was possible; around the next corner or only a few months away would be a new opportunity or a new invention that could change their lives forever.

This was the age of the inventions of Thomas Edison—the electric light, phonograph, moving pictures—and of Alexander Graham Bell, who had discovered a way to send the human voice great distances on a thin wire. Telegraphs were humdrum by now. Even humble families boasted proudly-posed family photographs. Railroads meant people could visit friends and family in parts of the country they had only dreamed of before.



P&G's Ivorydale Plant in 1890.

People wanted to take advantage of all the wonderful new things they could get their hands on.

As the population grew and spread over the vast western regions, many American businesses, accustomed to serving small local areas, were hard-pressed to supply the needs of the new far-flung population centers. There was a need and an opportunity for businesses to grow with the country.

What would it take?

Until now, many products had been produced on a small scale in private homes (that is why they were called "cottage industries"). But now the mushrooming country would require something better—more research, development of new and better products, bigger and faster and more efficient factories—with huge increases in jobs. It would mean making maximum use of the cost-saving benefits of mass production which offered high quality products, often at lower prices.

So now the question became: How to raise the large amounts of money required?

In the middle of the nineteenth century, more and more business leaders decided to share ownership of their business with 10, 20, even 100 individuals. A business would print up certificates of stock, and individuals could buy shares of this stock at a set price—for example, 100 shares at $10 per share for a total cost of $1,000. This $1,000 would go to the company. The stockholder's hope was to share in the company's earnings (through dividends and through an increase in the value of the shares held as the company's prospects improved).

If a company prospered and made a profit, the investor could benefit in two ways. First, the company would keep some of the profit in the business to finance future growth, and therefore the value of the $10 share would

probably go up a bit, perhaps to $12. Second, some of the profit would be handed out to the shareholders in the form of dividends. Of course, if the company fell on hard times, the value of the stock might go down and there might not be any dividend.

There was another attractive feature to this arrangement: the investor's liability was limited to the amount paid for the stock. The company could not ask the shareholder to put in more money to pay off the firm's debts. So, even if everything went sour, an investor would not have to risk an entire life's savings. Investors were drawn by another very important plus. With dozens or hundreds of owners, a big company would not likely go out of business if the founder died and there was no member of the family to carry on. New leaders would be appointed and the business would go on. This continuity would help protect investors' money as well as the jobs of employees.

Many business leaders saw a further advantage in this method of raising money. It gave ordinary citizens a sense of owning large businesses, overcoming the notion that American business benefited only the few rich. Widespread share ownership was a practical form of financial democracy, open to anybody who had the money to invest.

State legislatures, one after another, passed laws to make all this possible. It was called incorporation, and the companies were called corporations. (Corporation really means "body"—a body of men and women who join together to conduct business as a unit.) By 1860, almost all states had new laws allowing businesses to incorporate by following a legal procedure, filing incorporation papers, and by offering shares of their business to the public.

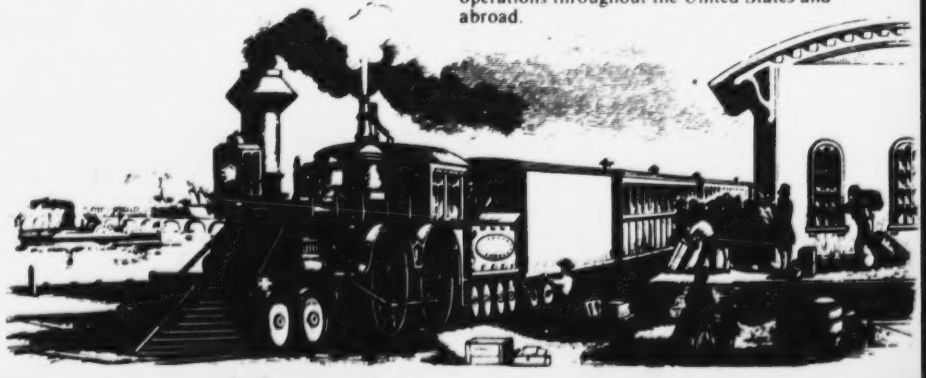
This is the way businesses raised the great sums of money to grow into the larger, more efficient firms that were needed to supply the bursting population that was spreading across the expanse of the continent.

It was William Cooper Procter, grandson of one of the original partners, who conceived and nurtured the idea that the partnership should be converted to a public corporation. Looking ahead, he foresaw growth opportunities for P&G that would necessitate additional plants, new equipment, the development and introduction of new products — in short, a need for capital expenditures that would extend far beyond the financial means then open to the partnership.

His co-partners agreed in 1889 to explore the idea of incorporation. The firm began making contacts with appropriate financial institutions, with stock underwriting firms, with auditors and expert corporate law counsel. On July 16, 1890, the Certificate of Incorporation was signed; stock in the Company was sold, beginning on July 21, 1890. To this day, the sale of stock to individuals is one of the principal ways that American business raises capital. More than 25 million people own these big companies as stockholders. (Procter & Gamble currently has over 100,000* shareholders.) One of the biggest companies (American Telephone & Telegraph) has more than a million owners.

Today's Americans owe a great deal to the business leaders and ordinary citizens of a hundred years ago who banded together and set the course of teamwork that has made this country strong through the years.

*P&G has grown to a company of some 60,000 employees with sales and manufacturing operations throughout the United States and abroad.



Railroad tracks crisscrossed the nation by 1890.

Excerpts From

Certificate of Incorporation

of

The Procter & Gamble Company

This is to Certify: *That we . . . do hereby associate ourselves into a company under and by virtue of the provisions of an act of the legislature of the State of New Jersey, entitled "An Act Concerning Corporations," approved April seventh, 1875, and the several acts supplementary thereto and amendatory thereof, for the purposes hereinafter mentioned, and to that end do hereby certify and set forth:*

First: *That the name assumed to designate such Company and to be used in its business and dealings is "THE PROCTER & GAMBLE COMPANY."*

Second: *. . . The objects for which said Company is formed are to manufacture, buy, sell, trade and deal in soaps, candles, oils, glycerine and other like substances and products, and in all materials commonly or conveniently used, manufactured, bought and sold in connection therewith or necessary or convenient in and about the transaction of the said business of the said Company; and to purchase, hold, sell and convey any and all such real and personal property as may be necessary for the proper and convenient conduct of the business of said Company; to issue bonds, secured by a mortgage or mortgages upon the property and franchise of said Company and, to sell the same for the purpose of raising money with which to carry on the business of the said Company and the purchase of any real or personal property therefore or other lawful purpose; to purchase such stocks and securities of other companies as may be necessary for the purposes of said Company, and do every other thing incidental to said business . . .*

Third: *That the total amount of the capital stock of such Company shall be four million, five hundred thousand dollars ($4,500,000) divided into 45,000 shares of the par value of $100 each . . .*

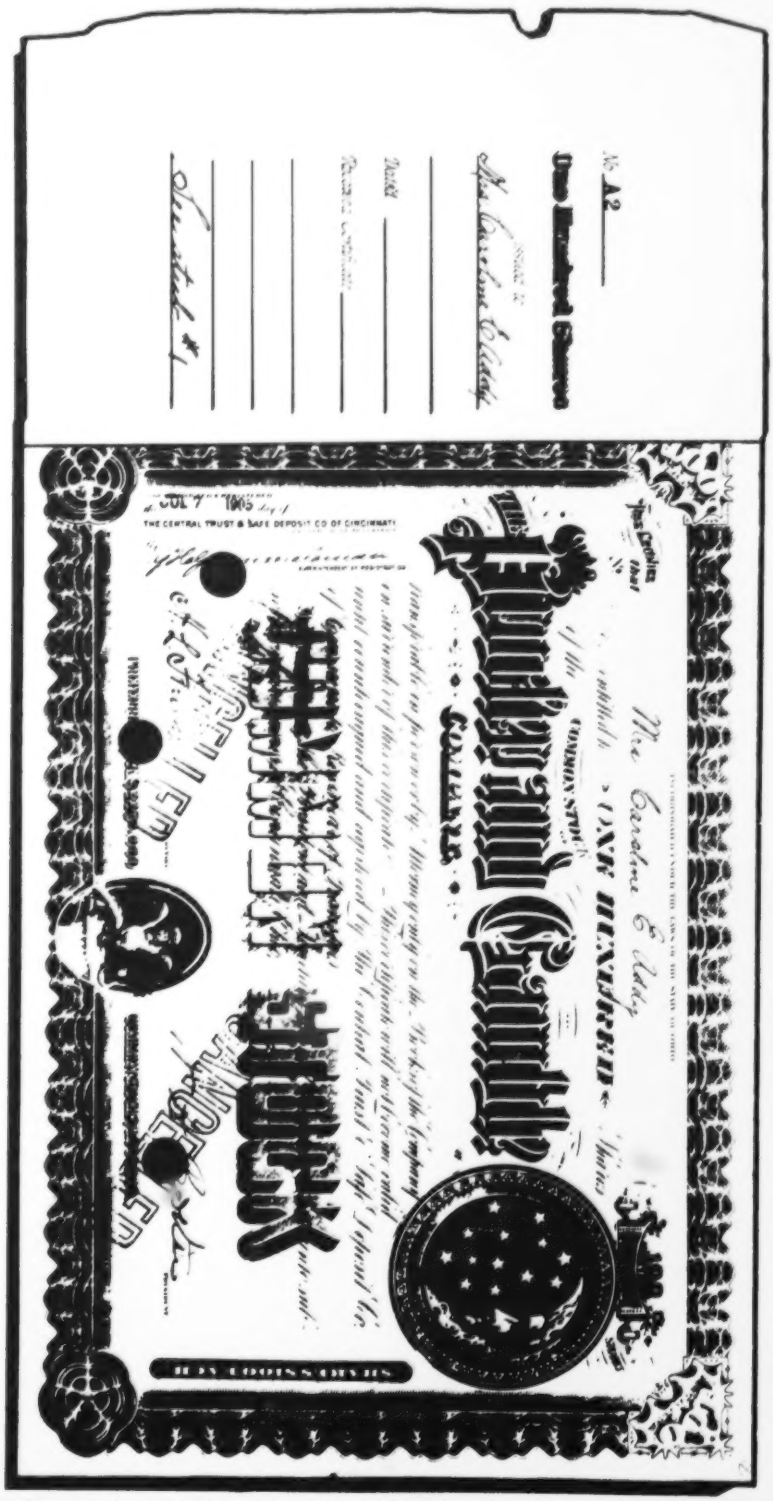
Fourth: *The names and residences of the stockholders and the number of shares held by each, are as follows . . .*

Fifth: *The period at which said Company shall commence business is the 16th day of July, 1890 . . .*

In Witness Whereof. *We have hereunto set our hands and seals this sixteenth day of July, 1890.*

George Crane
H. D. Morse
Wm. C. Gulliver

Printed copy of P&G's 1890 Articles of Incorporation



A Procter & Gamble stock certificate as it looked in 1905.

Trademarks and Brand Names
What Do They Mean?

As companies became larger to serve the greater needs of our growing country, trademarks and brand names took on more and more importance. The trademark was usually a pictorial design, often symbolizing some quality of the product or company. Certain companies, particularly those that made a variety of products, created catchy brand names for individual items. These identifications were promoted heavily in advertising, on posters and by other means to help the customer identify a product he or she had found satisfactory and wanted to buy again.

To be sure, there was company pride behind these identifying devices, but it was more than that. They were intended to tell the shopper two things: that the manufacturer stood behind the product, and that the customer could count on the same consistent quality whenever and wherever the product was purchased.

The trademark or brand name set that product apart from competing items and gave the consumer a clear-cut choice.

Identifying marks and names have been with us a long time. Long before the Christian era artisans marked their products with a sign or symbol. Then as now, this helped customers identify quality workmanship and enabled them to find the same supplier when new work was needed. And when ancient city officials found inferior work, they were able to track down the artisan by means of his trademark, register their complaint and, in extreme cases, run the culprit out of town.

Many trademarks and brand names have interesting histories.

The familiar shell became the trademark and brand name for Shell Oil because the company's founder got his start in business by selling shell-covered boxes to London tourists. The oval and cross design of the Nabisco trademark dates back to the fifteenth century when it was used by printers. The oval represents the world and the cross represents the church. Because eighteenth century Spain failed to

Evolution of Procter & Gamble's Trademark

capture the Rock of Gibraltar from England, the Prudential Insurance Company adopted "The Rock" as a symbol of security.

Some company trademarks developed gradually over many years. One example is Procter & Gamble's symbol which shows the moon and stars. This began to evolve in 1851 as a crude cross painted by wharf hands to help illiterate stevedores identify boxes of P&G Star candles. In time, the cross developed into an encircled star, still just part of the river workers sign language. Eventually this symbol changed to become a rough cresent moon with a circle enclosing 13 stars representing the original American colonies. Today it has been refined further and you will find it on most P&G packages.

But, unlike some companies – Coca-Cola, for example – where the trademark is displayed on the package, the Procter & Gamble symbol is small. Like other companies with many different products, Procter & Gamble has given each of its products a brand name (Tide, Ivory and so on) and the brand name – instead of the company name or trademark – is displayed in large type on each package. This is done to help shoppers distinguish their favorites among the large number of competing products, some of which may even be produced by the same company.

Since we all have such different tastes, many large companies respond to consumers' preferences by offering several products with variations and giving each a brand name of its own. Think of the automobile companies and the many different models they offer, each with a catchy name. For the same reason, there are many different soaps, cereals, soft drinks, blue jeans – each promoted by its brand name.

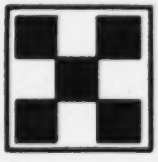
These identifying names are one way that business helps the customer distinguish one product from another, find the product he or she wants with ease in the expectation that the quality will always be the same. And it is the manufacturer's way of reminding the shopper that the product has met certain standards and, therefore, the company stands behind it.

Can You Name Them?

Do you know the companies these trademarks represent?

1.

2.


3.

4.

5.

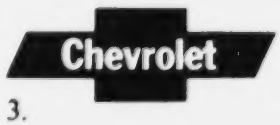
Do you know who makes these brand name products?

1.

4.

2.

5.



3.

6.

1. Procter & Gamble; 2. American Motors; 3. General Motors; 4. Levi-Strauss; 5. General Mills; 6. Procter & Gamble.

1. Bell Telephone; 2. Quaker Oats; 3. Ralston-Purina; 4. Gerber Baby Products; 5. General Electric.

Vocabulary

Procter & Gamble Perspectives - From Cottages to Corporations

TERM	DEFINITION
1. MONOPOLY	—the exclusive right
2. WHOLESALER	—a person who sells large quantities of a product to another who resells the product in small quantities to individual customers
3. SOLE PROPRIETORSHIP	—having the exclusive right or legal title
4. PARTNERSHIP	—a business association in which two or more people contribute money or property and share the profits and risks
5. PROFITS	—funds available from sales after a business has paid all of the basic costs of producing and distributing its goods or services
6. CORPORATION	—"body" - a group of men and women who join together to conduct business as a unit
7. STOCKS (OR SHARES)	—individual certificates denoting ownership which are initially offered by a corporation at a given price
8. TRADEMARK	—a design which symbolizes some quality of a product or company
9. BRAND NAME	—a name identifying goods of consistent quality manufactured by the same firm

Teacher's Note:
See other side

Teacher's Note:

The words or terms listed are used in this unit. The definitions shown relate to the use of these words in the context of this unit. Use this list of definitions as a learning guide for students or, by covering the definitions and making copies for students, use it as a wrap up test.

USING PERSPECTIVES TO DISCUSS ECONOMIC CONCEPTS AS A KEY TO HISTORICAL DEVELOPMENTS

The unit, From Cottages to Corporations, contains examples of economic concepts as "played out" through the experience of one company. These concepts are highlighted in the following discussion.

From Cottages to Corporations can be used in developing an understanding of the following economic concept: *Decreasing costs increase profits and motivate businesses, large and small, to make decisions about their own affairs.* While these thousands of individual decisions are often unrelated they can, and have, contributed to such benchmarks of American History as the growth of cities, major industries and transportation networks.

An examination of this economic concept responds to the emphasis many history texts put on explaining cause and effect. You may want to put more emphasis than this unit does on the thought that efforts to reduce costs have often contributed to developments which shaped America's economic and cultural history.

You can do this by focusing on the following additional objective: "Students will be able to identify, explain and cite examples of how the desire to reduce costs helped shape such aspects of American history as the growth of cities and transportation networks."

For example, outside of major eastern population centers, industry first began to flourish along inland waterways, largely for economic reasons. Procter & Gamble flourished in Cincinnati on the Ohio river, a city which provided the benefit of river transportation and plentiful animal fats, an inexpensive raw material in soap and candles and a by-product of the butchering of the thousands of pigs that came to market in Cincinnati (thus Cincinnati's early nickname Porkopolis).

This unit will also give you an opportunity to explain another economic concept: *how decreases in cost can increase profits and create incentives for people to produce more.*

Do this by focusing on how the search for lower costs (through changes in technology, greater investment, etc.) contributed to the following: 1, profit opportunities; 2, more complex forms of business and industry; 3, new population centers.

By making such an examination of cause and effect students will discover a method for identifying the roots of historical events and thereby enrich their mastery of historical facts. Once learned, such an approach can be used in discovering the geneses of other historical and contemporary topics and issues.

The Overview for this unit may well involve you and your students in just such an historical discovery process. For it points out that a desire to decrease transportation costs gave rise to a new technology which in turn resulted in new settlements (paragraph 1) and commerce (paragraph 3).

Thus the desire to decrease the costs of transactions among widely scattered people contributed to the establishment of cities (paragraph 2) and better communications media (paragraph 5). The effort to decrease production costs was a factor also in the mechanization of farming and industry (paragraph 4).

And, as a result, the corporate form of business ownership began to emerge as a workable framework in which to administer larger scale production and serve growing markets.